

# Following Up: After the Loan Is Made

*After a loan is disbursed, you still may have to make adjustments or even notify the lender that the borrower was ineligible for the loan. You almost must report enrollment status for your students who have loans, because this may qualify them for deferment on loans received at other schools.*

## CHANGES IN LOAN AMOUNT AND OVERAWARDS

You may find that a student's eligibility for a Stafford Loan or for the subsidized amount of a loan has changed after the first disbursement is made. For instance, the student may have updated his/her dependency status, becoming eligible for the higher loan limits for independent students.

On the other hand, the student's eligibility might decrease for a number of reasons, including an increase in the EFC. If a student withdraws from classes (but remains enrolled at least half time) the reduction in costs may affect the student's loan eligibility. Or the student might receive a scholarship after you certified the loan, decreasing the student's financial need.

If the student's aid package exceeds his/her financial need after recalculating for changes to cost, EFC, or EFA, the excess aid is considered an overaward. If you discover the overaward before the loan is completely disbursed, you must eliminate the overaward by cancelling or reducing the Stafford Loan, and/or reducing other aid in the student's package, as necessary.

In a term program, the student may choose not to enroll in one of the terms in the loan period. In this case, the student will not be eligible to receive the disbursement for that payment period. Under a Scheduled Academic Year, the overall loan amount may be reduced by the amount of the disbursement that was not made, unless the student's costs and financial need for the terms actually attended are high enough to make her eligible for the original loan amount. Also, if a Borrower-Based Academic Year is used, the overall loan amount may not change if the student is paid for additional payment periods that can be included in the loan period.

You have a great deal of flexibility in changing the loan amount and disbursements during the loan period. Check with the lender for its procedures for making adjustments to the loan amount. For Direct Loans, see the *School Guide*, "Change Records and Loan Adjustments."

### Overaward tolerance for FWS

A \$300 overaward tolerance is permitted if the student's financial aid package includes a Stafford Loan plus Federal Work-Study (FWS). If there is no FWS in the student's financial aid package, no tolerance is allowed under FFEL.

### Effect of missed term on loan amount

In some cases, a student may not receive the full amount that the school originally certified if he/she misses one of the terms in a Scheduled Academic Year.

For instance:

Barbara G is awarded a \$2625 Stafford for 3 quarters based on a cost of \$9,000.

After a 3% loan fee is deducted, she receives \$848.75 for the fall quarter. Barbara misses the winter quarter, but the financial aid office notifies the lender that Barbara plans to return for the spring quarter. She returns in the spring quarter and receives the expected \$848.75. Thus, her total loan for the academic year is \$1,750.

➔ Note that if Barbara's costs for the two quarters are high enough, the school could also elect to pay her the full loan amount.

➔ Barbara could also receive the full loan amount by attending the subsequent summer or fall term, if a Borrower-Based Academic Year is used.

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### Reduced loan fees based on returned disbursement

If a school returns an FFEL disbursement or any portion of an FFEL disbursement to a lender, the lender will reduce the origination fee and insurance premium that it withheld, in proportion to the amount returned. If a student returns an FFEL disbursement or any portion of an FFEL disbursement to the lender, the lender will only reduce the origination fee and insurance premium if it receives the returned amount within 120 days after disbursement.

For information on how returning Direct Loans affects loan fees and accrued interest on loans, see the Direct Loan School Guide.

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### Leave of Absence vs. Withdrawals

In some cases, a student will temporarily withdraw from classes, but intend to return and complete the coursework. If the leave of absence meets the requirements of an “Approved Leave of Absence” in 34 CFR 668.22(d) and the student returns to resume his/her studies, no return of student aid funds is required.

In general, the regulations limit this provision to one leave of absence in a 12-month period, not to exceed 180 days. However, a subsequent leave of absence may be permissible, under certain documented circumstances (including jury duty, military reasons, and circumstances covered by the Family and Medical Leave Act of 1993).

If the student received more than the annual or aggregate maximum due to inaccurate information provided inadvertently, then the student can continue to receive SFA funds if he/she repays the excess amount or makes arrangements (satisfactory to the holder of the loan) to repay the excess amount. (34 CFR 668.35(b))

### WITHDRAWAL OR LOSS OF ELIGIBILITY

If you discover that a student did not register for the period of enrollment covered by the loan or never established eligibility for the loan, you can’t make a late disbursement. You must return the loan proceeds to the lender within 30 days of this determination. There are several scenarios in which a student can register for classes but fail to qualify for the loan: for instance, if the student does not begin attendance in any of his/her classes.

If you learn after loan funds are disbursed that the student or parent provided “false and erroneous” information, you must notify the lender (or Direct Loans) as soon as possible if the borrower was ineligible for all or a portion of the Stafford or PLUS Loan. The lender (or Direct Loans) will send a demand letter to the borrower requiring repayment of the ineligible loan funds. If the borrower fails to repay the funds within 30 days after the letter is mailed, the entire loan may be placed in default. (See 34 CFR 682.412 or 685.211 for Direct Loans)

When an SFA recipient withdraws from all classes after establishing eligibility and receiving SFA funds, a portion of his or her aid may have to be returned. See Volume 2, chapter 6 of the *SFA Handbook* for a complete discussion of the procedures for calculating the return of funds to the SFA programs. **This requirement is not the equivalent of a refund policy.** The SFA regulations do not dictate an institutional refund policy nor do they prohibit a school from developing its own refund policy or complying with refund policies required by outside agencies. Under the new requirements, a school must return unearned SFA funds as soon as possible, but no later than 30 days after the date the school determines the student withdrew. This new provision reduces the time frame from the previous 60 days to 30 days for FFEL schools to return unearned FFEL funds to the lender. (34 CFR 668.22 (j))

Schools are still required to provide students with the details of the school’s refund policy in addition to providing information on the SFA program requirements for determining the amount of aid that will have to be returned to the SFA programs if the student withdraws.

## EXCHANGING INFORMATION ON BORROWERS

### *Enrollment Reporting with NSLDS and the Roster file*

All schools participating in the FSA loan programs must have some arrangement to report student enrollment data to the National Student Loan Data System (NSLDS) through a Roster file (formerly called the Student Status Confirmation Report or SSCR). Student enrollment information is extremely important, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the *out of school status effective date* determines when the grace period begins and how soon a student must begin repaying loan funds.

At scheduled times during the year, not less than semiannually, NSLDS sends Roster files electronically to your school (or its designated servicer) through its SAIG mailbox. The file includes all of the school's students who are identified in NSLDS as Stafford borrowers (or the beneficiaries of a PLUS loan). The file is not necessarily connected to loans made at your school - you also must report information for students who received some or all of their FSA loans at other schools but are currently attending your school.

Your school (or the servicer) must certify the information and return the Roster file within 30 days of receiving it. You may also go to [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov) and update information for your school's students online. You're required to report changes in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half-time, graduated or withdrawn must be reported within 30 days. However, if a Roster file is expected within 60 days, you may provide the data on that roster file.

If the Roster file that you are returning contains records that don't pass the NSLDS Enrollment Reporting edits, you will receive a response file with the records that didn't pass. You'll need to make the necessary corrections to these records and resubmit them. If you are using a servicer, you may need to assist the servicer in correcting these errors. Please remember that your school is ultimately responsible for notifying NSLDS of student enrollment changes.

If your school reports enrollment data to the NSLDS, it does not have to complete SSCRs received directly from guaranty agencies. (Receiving an SSCR report from a guaranty agency may be an indication that your school has not reported to NSLDS within the last 6 months.) However, you must still respond to requests for borrower information from guaranty agencies, lenders, and loan servicers. You must continue to provide loan holders and loan servicers with a borrower's enrollment status, enrollment history, or information needed to locate the borrower for deferment and other repayment purposes. This information includes last known address, change in surname, and employer's name and address.

### Enrollment Reporting Requirements

34 CFR 682.610 FFEL

34 CFR 685.309(b) Direct Loans

"Dear Colleague" letter GEN-99-9

"Dear Colleague" letter GEN-96-5

"Dear Colleague" letter GEN-96-17

### Technical References

For more information on reporting enrollment information to NSLDS, including record layouts, error codes, etc., see the **Enrollment Reporting Guide** (formerly the SSCR User's Guide), which is available on-line on the [ifap.ed.gov](http://ifap.ed.gov) site (listed alphabetically under "Current Publications by Title").

If you will be using the SSCR software package, see the **SSCR Technical Reference** includes record layouts, error codes, etc. and is available in Word and PDF formats at: [www.sfdownload.ed.gov](http://www.sfdownload.ed.gov)

### Updating enrollment information on the Web

You can create or update student status by using the "Enroll" tab on the NSLDS Web site for aid professionals: <https://www.nslsdfap.ed.gov/>  
Support: 1-800-999-8219



### Enrollment Status Codes

These codes are listed in the Record Layouts in the SSCR Technical Reference. Data submitted to the Student Loan Clearinghouse uses most of these codes.

A = Approved Leave of Absence

D = Deceased

F = Full time

G = Graduated

H = Half time or more, but less than full time

L = Less than half time

W = Withdrawn

X = Never attended

Z = Record not found

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### **Privacy: Sharing Student Records with Lenders**

A student authorizes his or her school to release information to lenders by signing a statement as part of the loan application process. This authorization covers information relevant to the student's or parent's eligibility to borrow. Examples of such information are enrollment status, financial assistance, and employment records.

For more information on privacy requirements, see Volume 2: Institutional Eligibility

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### **Loan information from the guarantor**

Upon request, the guarantor must inform the school of students in default on FFELs...

34 CFR 682.401(b)(24)

If the lender requests preclaims assistance, the guarantor must inform the school of this request, if the school has requested such notification

...

34 CFR 682.404(a)(5)

HEA § 428(c)(2)(H)

The guarantor must notify the school when a loan made at that school changes hands, if the school requests such information ...

HEA § 428(b)(2)(F)

### ***Providing borrower information at separation***

Within 60 days after the exit counseling session, your school must provide the Direct Loan Servicing Center or the guaranty agency that was listed in the borrower's student aid records with updated information about—

- the borrower's future permanent address;
- the borrower's Social Security Number;
- the identity and address of the borrower's expected employer;
- the address of the borrower's next of kin; and
- the borrower's driver's license number and state of issuance.

### ***Exchanging information about delinquency and default***

To promote loan repayment, DL schools are encouraged to notify the Direct Loan Servicing Center if they receive new information about a delinquent borrower's location or employment. The Direct Loan Servicing Center sends participating schools a monthly electronic report of all delinquent and defaulted Direct Loan borrowers who took out loans while attending the school. The report, which contains the borrowers' names, addresses and phone numbers, is organized by the number of days past due so that schools can contact and counsel borrowers to avoid default. The school may also wish to work with borrowers who have defaulted on their Direct Loans to help these borrowers bring their loans out of default.

An FFEL school may make agreements to provide the holders of delinquent loans with information about the delinquent borrower's location or employment. An FFEL school may also try to contact the borrower and counsel him or her to avoid default.

FFEL schools may request that a guaranty agency provide information about students who were enrolled at the school who have defaulted on their Stafford Loans. The guarantor may not charge for this information. You may also request that the guaranty agency notify your school whenever a lender requests default aversion assistance on a loan made at your school, and provide the borrower's name, address, and Social Security Number. (The guaranty agency may charge a reasonable fee for this service.) Your school may only use the information to remind the borrower to repay his or her loan(s).

If you've requested it, the guaranty agency must also notify your school when loans to its students are sold, transferred, or assigned to another holder. (The notification must include the address and telephone number of the new loan holder.) This notification requirement only applies to loans that are in the grace period or in repayment, and only if your school was the last school the borrower attended before the loan entered repayment. (For instance, if a student received several Stafford Loans while earning a bachelor's degree at your school, but pursued a master's degree at another school before those loans entered repayment, the guarantor is not required to notify you if the loan is sold.)